



SENATE BILL 269: Hillsborough Occupancy Tax

2011-2012 General Assembly

Committee: Senate Finance
Introduced by: Sen. Kinnaird
Analysis of: First Edition

Date: March 14, 2011
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SUMMARY: *Senate Bill 269 authorizes the Town of Hillsborough, located in Orange County, to levy a 3% room occupancy tax. At least two-thirds of the proceeds would be used to promote travel and tourism and the remainder would be used for tourism-related expenditures. This bill conforms to the guidelines supported by the North Carolina Travel and Tourism Coalition and adhered to by the House Finance Committee.*

CURRENT LAW: Currently, the Town of Hillsborough does not have authority to levy a room occupancy tax. Orange County has had authority to levy a room occupancy tax of up to 3% since 1991.¹ The other municipalities in Orange County, Carrboro and Chapel Hill, have had authority to levy a room occupancy tax of up to 3% since 2001 and 1987 respectively.²

BILL ANALYSIS: Senate Bill 269 authorizes the Town of Hillsborough to levy a room occupancy tax of up to three percent (3%). Once levied, the total occupancy tax rate for the town would be up to six percent (6%) when the county tax is included. The proceeds of the tax levied by the town must be remitted to a Tourism Development Authority (TDA), to be created by the town's governing body when the tax is first levied. The TDA must use at least two-thirds of the proceeds to promote travel and tourism and the remainder for tourism-related expenditures. These administrative and use provisions conform to the uniform guidelines recognized by the House Finance Committee and set out in the chart below.

UNIFORM OCCUPANCY TAX PROVISIONS	
Rate	The county tax rate cannot exceed 6% and the city tax rate, when combined with the county rate, cannot exceed 6%.
Use	Two-thirds of the proceeds must be used to promote travel and tourism and the remainder must be used for tourism related expenditures.
Definitions	The term "net proceeds", "promote travel and tourism", and "tourism related expenditures" are defined terms.
Administration	The net revenues must be administered by a local tourism development authority that has the authority to determine how the tax proceeds will be used, is created by a local ordinance, and at least ½ of the members must be currently active in the promotion of travel and tourism in the county and 1/3 of the members must be affiliated with organizations that collect the tax.
Costs of Collection	The taxing authority may retain from the revenues its actual costs of collection, not to exceed 3% of the first \$500,000 collected each year plus 1% of the remainder collected each year.

BACKGROUND: Since 1983, the General Assembly has authorized many units of local government to levy a room occupancy tax. In several instances, the General Assembly has authorized both a county and a city within that county to impose an occupancy tax. The rate of tax, the use of the tax proceeds, the administration of the tax, and the body with the authority to determine how the tax proceeds will be

¹ S.L. 1991-392. Orange County's occupancy tax does not conform to the occupancy tax guidelines.

² S.L. 2001-439 and S.L. 1987-460. Chapel Hill's occupancy tax does not conform to the occupancy tax guidelines; Carrboro's occupancy tax does conform to the guidelines.

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spent vary considerably. Over the past several years, there has been a greater effort to make the occupancy taxes uniform. In 1997, the General Assembly enacted uniform municipal and county administrative provisions for occupancy tax legislation – G.S. 153A-155 and G.S. 160A-215. These provisions provide uniformity in the areas of levy, administration, collection, repeal, and penalties.

The North Carolina Travel and Tourism Coalition has a policy statement for legislation authorizing local occupancy taxes. Many of the principles contained in its statement are similar to the guidelines established by a House Finance Subcommittee on Occupancy Taxes in 1993. The House Finance Committee Chairs have traditionally appointed a Subcommittee on Occupancy Taxes that scrutinizes occupancy tax legislation to determine whether the legislation adheres to the guidelines. The House Finance Chairs appointed Representatives McGee, Cotham, Carney, Moffitt, and Warren to be members of the House Finance Subcommittee on Occupancy Taxes this biennium.

EFFECTIVE DATE: Senate Bill 269 is effective when it becomes law.

Trina Griffin, counsel to the House Finance Committee, substantially contributed to this summary.

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